

BEFORE ALLAN L. MCVEY, INSURANCE COMMISSIONER  
OF THE STATE OF WEST VIRGINIA

*In the Matter of:*

**MUTUAL PROTECTIVE ASSOCIATION OF WV (NAIC #11057)**

ADMINISTRATIVE PROCEEDING NO. 22-IC-02190

ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION

NOW COMES, Allan L. McVey, Insurance Commissioner of the State of West Virginia (hereinafter, "Commissioner"), who, after consideration of the Report of Financial Examination (hereinafter, the "Examination Report") of Mutual Protective Association of WV (hereinafter referred to as "Company" or "MPA"), as of December 31, 2020, made the following findings of fact, conclusions of law and order.

FINDINGS OF FACT

1. The Company was incorporated on May 20, 1911, as an assessable farmers' mutual fire insurance company in the State of West Virginia in accordance with *West Virginia Code* §33-22-1 through 19. MPA was issued a COA on June 1, 1911. The Company is authorized to transact business as a farmers' mutual fire insurance company under the provisions of Article 22 of Chapter 33 of the *West Virginia Code*. The Company is licensed only in the state of West Virginia and operates on a non-assessable basis in a nine-county area.
2. An examination of the financial condition and operational affairs of the Company for period beginning January 1, 2016, and ending December 31, 2020, was conducted in accordance with *West Virginia Code* §33-2-9(c) by the Insurance Commissioner.
3. On June 1, 2022, the examiner filed a Report of Financial Examination with the Insurance Commissioner pursuant to *West Virginia Code* §33-2-9(j)(2). A copy of the Report of

Financial Examination is attached hereto as Exhibit A and incorporated herein as if set forth in full.

4. On June 6, 2022, a true and accurate copy of the Report of Financial Examination was mailed to Art Meadows, Executive Manager. A copy of the Letter dated June 6, 2022, is attached hereto as Exhibit B.

5. Pursuant to *West Virginia Code* §33-2-9(j)(2), the Company, by letter dated June 6, 2022, Exhibit B, was notified and afforded a period of ten (10) days, after receipt of the Report of Financial Examination, to make a submission, rebuttal, or objection concerning any matter contained in the Report.

6. By letter dated June 6, 2022, Art Meadows, Director, acknowledged that he had reviewed the Report of Financial Examination and did not materially dispute the findings of the examination. A copy of the Company's letter of June 6, 2022, is attached hereto as Exhibit C.

#### CONCLUSIONS OF LAW

1. The Insurance Commissioner is charged with the duty of administering and enforcing the provisions of Chapter 33, of the West Virginia Code of 1931, as amended.

2. The Company is organized pursuant to provisions of Article 22, Chapter 33 of the *West Virginia Code*.

3. *West Virginia Code* § 33-2-9(j)(2) provides that no later than sixty (60) days following completion of the examination, the examiner in charge shall file with the Insurance Commissioner a verified, written Report of Financial Examination under oath, and, upon receipt of the verified report, the Insurance Commissioner shall transmit the Report of Financial Examination to the Company with a notice that shall afford the Company a reasonable opportunity, of not more than thirty (30) days, to make a written submission or rebuttal.

4. *West Virginia Code* § 33-2-9(j)(3) provides that within thirty (30) days of the end

of the period allowed for the receipt of written submissions or rebuttals the Insurance Commissioner shall fully consider and review the Report of Financial Examination, together with any written submissions or rebuttals, and shall enter an ORDER adopting the Report of Financial Examination as filed, or with modifications or corrections, enter an ORDER rejecting the Report of Financial Examination with directions to the examiners to reopen the examination or call for an investigatory hearing.

### ORDER

It is therefore **ORDERED** as follows:

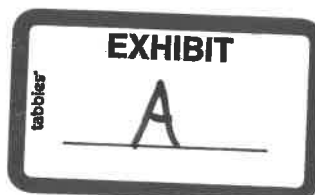
1. The Report of Financial Examination of the Company, attached hereto as Exhibit A, is hereby **ADOPTED** and **APPROVED** by the Insurance Commissioner.
2. A copy of this *Order Adopting Report of Financial Examination* and the Report of Financial Examination shall be mailed to the Company via certified mail, return receipt requested, upon entry by the Insurance Commissioner.
3. The Company shall file with the Insurance Commissioner, within thirty (30) days of the issuance of this Order, affidavits executed by each of its directors stating under oath that they have received a copy of the Report of Financial Examination and a copy of this *Order Adopting Report of Financial Examination* in accordance with *West Virginia Code §33-2-9(j)(4)*.
4. The Company take whatever actions are required to comply with the recommendations set forth in the Report of Financial Examination, if any, and shall demonstrate compliance to the satisfaction of the Insurance Commissioner, if necessary.
5. Inasmuch as orders entered by the Insurance Commissioner are subject to judicial review as set forth in *West Virginia Code §33-2-14*, any person aggrieved by any this order may,

within 30 days after the order has been mailed or delivered to the persons entitled to receive the same, file an appeal in and with the Circuit Court of Kanawha County, West Virginia.

Entered this 13<sup>th</sup> day of June 2022.

  
Allan L. McVey  
CPCU, ARM, AAI, AAM, AIS  
Insurance Commissioner

REPORT OF EXAMINATION  
OF  
MUTUAL PROTECTIVE ASSOCIATION OF WV  
MOOREFIELD, WV  
NAIC #11057  
AS OF DECEMBER 31, 2020



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**SALUTATION**

June 1, 2022

Charleston, West Virginia

The Honorable Allan L. McVey  
West Virginia Insurance Commissioner  
900 Pennsylvania Ave.  
Charleston, West Virginia 25302

Pursuant to the authority vested in the West Virginia Offices of the Insurance Commissioner (“WVOIC”), as well as rules, regulations and procedures promulgated by the National Association of Insurance Commissioners (“NAIC”), an examination has been made of the administrative affairs, books, records, and financial condition of:

**Mutual Protective Association of WV**  
109 Washington Street  
Moorefield, WV 26836

hereinafter referred to as the “Company” or “MPA”. The following Report of Examination is respectfully submitted.

## SCOPE OF EXAMINATION

The examiners have performed a financial examination of the Company. The last examination covered the five-year period from January 1, 2011 through December 31, 2015. The examination commenced on December 3, 2021 pursuant to W.Va. Code §33-2-9(a), as amended, and covers the five-year period from January 1, 2016 through December 31, 2020.

The purpose of this examination is to assess the financial condition of the Company and set forth findings of fact (together with citations of pertinent laws, regulations and rules) with regard to any material adverse findings disclosed by the examination.

The general procedures of the examination followed rules and standards as set forth in the NAIC Financial Condition Examiners Handbook (“Handbook”) and West Virginia Laws, Regulations, and Directives of the WVOIC. The examination was conducted to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risk within the Company and evaluating system controls and procedures used to mitigate those risks. In addition, the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statements of Statutory Accounting Principles (“SSAP”) and annual statement instructions were assessed.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

The report is presented on an exception basis. It is designed to set forth the facts with regard to any material adverse findings disclosed during the examination. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such



cases, these matters were discussed with responsible Company officials during the course of the examination.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There are no significant findings as a result of this examination.

### **HISTORY**

The Company was incorporated as an assessable farmers' mutual fire insurance company on May 20, 1911 with the home office located in Romney, West Virginia. The location of the home office was moved to Moorefield, West Virginia through a Charter amendment on January 26, 1963 and to Baker, West Virginia through a Charter amendment on April 18, 1992. The Company moved its home office to Moorefield, West Virginia in 2018. The Company is licensed only in the state of West Virginia and operates on a non-assessable basis in a nine-county area. The Company insures its members against loss from fire, lightning and extended coverage, and casualty coverage.

The Company is a member of the American Association of Insurance Services ("AAIS"). All forms used by the Company are filed by reference with AAIS. The Company develops rates independently of AAIS.

The Company markets all its business through independent agents. The Company does not sell business directly.

#### **Dividends to Policyholders**

The Company did not declare or pay dividends during the period of examination.

#### **Mergers and Acquisitions**

There were no mergers or acquisitions during the examination period.

Significant changes in key trends

There have been no significant changes in premiums in the last five years, as illustrated below:

<b>NET PREMIUM WRITTEN</b>				
<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
\$364,830	\$369,447	\$367,634	\$358,510	\$354,011

**MANAGEMENT AND CONTROL**

**BOARD OF DIRECTORS**

The Company's amended Bylaws dated July, 2014 provide that the governing body of the Company shall be the Board of Directors consisting of no less than six and no more than fifteen members. Directors serving at December 31, 2020 were as follows:

<u>Name</u>	<u>Title</u>
Donna A. Alexander	Director
Donald J. Baker, Jr.	Director
James M. Cookman	Director
Carole H. Hartman	Director
Arthur L. Meadows	Director
Keith E. Potter	Director

**OFFICERS**

Officers of the Company are elected by the Board of Directors. The directors have elected from among its members a President, a Vice President, and a Secretary/Treasurer. Any two offices except the President may be combined and held by the same person. Officers elected by the Board of Directors, and serving as of December 31, 2020, were as follows:

<u>Name</u>	<u>Title</u>
Donald J. Baker, Jr.	President
James M. Cookman	Vice President
Carole H. Hartman	Secretary/Treasurer

## **COMMITTEES**

The Bylaws require the election of an Executive Committee from among the Board members. At December 31, 2020, the Company reported the following Committee members:

### Executive Committee

Donald J. Baker, Jr  
James M. Cookman  
Keith E. Potter  
Donna A. Alexander

Examiners performed a review of the Board, Board Committee, and annual membership meeting minutes for the period under examination. During our review, we noted that the Board of Directors convened after the annual meeting of the members, rather than beforehand, which is not in accordance with the amended Bylaws. In addition, there was no statement under oath at the annual member meetings by the President or Vice President, along with the Secretary and Treasurer, of the full, true and complete statement of condition of the Company as of the thirty-first day of December, which is not in accordance with the amended Bylaws.

## **ORGANIZATIONAL CHART**

The Company has no affiliates.

## **AGREEMENTS**

The Company is not part of a holding company and therefore has no related party agreements.

## **TERRITORY AND PLAN OF OPERATION**

MPA is a single-state, WV domiciled, farmers mutual fire insurer that writes Homeowners Multiple Peril, Fire, Allied Lines, and Other Liability. The Company has no current plans for significant changes in its territory or plan of operation.

## REINSURANCE

### Assumed

As of December 31, 2020, the Company had no assumed reinsurance.

### Ceded

At December 31, 2020, the Company had in effect a Casualty Quota Share, a Property Per Risk Excess of Loss, and an Aggregate Excess of Loss reinsurance agreements. The Company uses Guy Carpenter & Company, LLC of New York (Guy Carpenter) as its reinsurance intermediary. Guy Carpenter is authorized to do business in West Virginia under W. Va. Code §33-38-3(a) (2) as a reinsurance intermediary-broker.

### **Casualty Quota Share Reinsurance Contract**

The Contract is effective January 1, 2020 to January 1, 2021 and indemnifies the Company 100% up to \$300,000 in respect of the liability that may accrue to the Company as a result of loss or losses under policies classified by the Company as casualty.

### **Property Per Risk Excess of Loss Reinsurance**

The Contract is effective January 1, 2020 to January 1, 2021 and indemnifies the Company for liabilities that may accrue to the Company as a result of loss or losses under policies classified as property. The Company retains \$40,000 of ultimate net loss each risk, while the reinsurer is liable for \$360,000 each loss, each risk, and is further subject to a limit of liability of \$400,000 each loss occurrence. For policies that provide additional insurance beyond the policy limit (e.g. business income under a commercial policy, additional amounts for replacement costs or due to ordinances, etc.) the reinsurer's liability increases by the additional amount but not to exceed 20% of the retention plus the limit. This policy contains certain exclusions, one of which is any risk that is known to have an insured value in excess of \$250,000 at the time of cession.

### **Aggregate Excess of Loss Reinsurance Contract**

The Contract is effective January 1, 2020 to January 1, 2021 and indemnifies the Company for liabilities that may accrue to the Company as a result of losses under policies classified as property.

The reinsurer assumes, in the aggregate, 100% of the ultimate net loss over and above an initial ultimate net loss equal to 55% of gross net earned premium income, subject to a limit of liability to the reinsurer of \$200,000. Should the Company's Ultimate Net Loss on losses occurring during the term of the Contract exceed, at any time, an amount equal to 55% of Gross Net Earned Premium Income, at the option of the Company, 100% of such excess and 100% of all additional Ultimate Net Loss on losses occurring thereafter shall be paid by the Reinsurer, subject to the limits of liability as defined above. Any such payment is subject to adjustment after the Reinsurer's ultimate liability has been determined. This policy contains certain exclusions, one of which is any risk that is known to have an insured value in excess of \$250,000 at the time of cession.

The reinsurers for the above three reinsurance contracts, and their respective participating percentages, are as follows:

<u>Participating Reinsurer</u>	<u>Percentage</u>
American Agricultural Insurance Company	16.50%
Aspen Insurance UK Limited	2.50%
Berkley Insurance Company	14.00%
Employers Mutual Casualty Company	15.25%
Farmers Mutual Hail Insurance Company of Iowa	8.75%
Hannover Rück SE	7.50%
Partner Reinsurance Company of the U.S.	3.00%
Renaissance Reinsurance U.S. Inc.	4.00%
Swiss Reinsurance America Corporation	18.50%
The Toa Reinsurance Company of America	<u>10.00%</u>
<b>Total</b>	<b>100%</b>

The contract made between Guy Carpenter and the Company appears to be in accordance with the required provisions of W. Va. Code §33-38-4.

Guy Carpenter is to provide the Company with an audited statement of Guy Carpenter's group statement of financial condition prepared by a certified public accountant. The Company requested and reviewed the audited statement for the years under examination in accordance with W. Va. Code §33-38-6(c).

## FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the WVOIC and present the financial condition of the Company for the period ending December 31, 2020. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

### STATEMENT OF ASSETS DECEMBER 31, 2020

	<u>Assets</u>	<u>Non- Admitted</u>	<u>Admitted Assets</u>
Bonds	\$1,811,898		\$1,811,898
Common Stocks	506,704		506,704
Properties occupied by the company	119,549		119,549
Cash and Equivalents	277,615		277,615
<b>Subtotals</b>	<b><u>\$2,715,766</u></b>		<b><u>\$2,715,766</u></b>
Investment Income Due and Accrued	12,176		12,176
Prepaid expenses	56		56
<b>Total Assets</b>	<b><u>2,727,998</u></b>	<b><u>0</u></b>	<b><u>2,727,998</u></b>

### STATEMENT OF LIABILITIES, CAPITAL AND SURPLUS DECEMBER 31, 2020

Unearned Premiums	226,895
Advance Premium	5,784
Aggregate write-ins	3,958
<b>Total Liabilities</b>	<b><u>\$236,637</u></b>
Policyholders' surplus	2,491,361
<b>Total Policyholders' Surplus</b>	<b><u>2,491,361</u></b>
<b>TOTAL</b>	<b><u>\$2,727,998</u></b>

**STATEMENT OF INCOME**  
**DECEMBER 31, 2020**

Premiums Earned	\$364,830
Losses Incurred	24,524
Loss Adjustment Expenses	4,365
Other Underwriting Expenses	315,102
Total Underwriting Deductions	<u>343,991</u>
Net Underwriting Gain	<u>\$20,839</u>
Net Investment Income	92,196
Net Realized Capital Gains	27,706
Net Investment Gain	<u>\$119,902</u>
Finance & Service Charges Not Included in Premiums	1,545
Aggregate write-ins for miscellaneous income	15,975
Total Other Income	<u>17,520</u>
Net Income Before Taxes and Dividends	158,261
Dividends to Policyholders	0
Federal and Foreign Income Tax	0
<b>Net Income</b>	<b><u><u>\$158,261</u></u></b>

**RECONCILIATION OF SURPLUS  
DECEMBER 31, 2020**

Surplus as of Prior Examination – 12/31/2015	\$1,760,603
Net Income	66,841
Change in net unrealized capital gains	(11,368)
Change in surplus as regards to policyholders	<u>55,473</u>
Surplus at December 31, 2016	<u>\$1,816,076</u>
Net Income	115,411
Change in net unrealized capital gains	51,991
Change in surplus as regards to policyholders	<u>167,402</u>
Surplus at December 31, 2017	<u>\$1,983,478</u>
Net Income	86,372
Change in net unrealized capital gains	(91,226)
Change in surplus as regards to policyholders	<u>(4,854)</u>
Surplus at December 31, 2018	<u>\$1,978,624</u>
Net Income	43,824
Change in net unrealized capital gains	161,803
Change in surplus as regards to policyholders	<u>205,627</u>
Surplus at December 31, 2019	<u>\$2,184,251</u>
Net Income	158,261
Change in net unrealized capital gains	148,374
Change in nonadmitted assets	475
Change in surplus as regards to policyholders	<u>307,110</u>
Surplus at December 31, 2020	<u>\$2,491,361</u>



**SUMMARY OF EXAMINATION CHANGES**

There were no adjustments to the financial statements as a result of the examination.

**SUBSEQUENT EVENTS**

Director Carole Hartman passed away on April 4, 2022. Her vacant board position has not yet been filled.

**SUMMARY OF EXAMINATION RECOMMENDATIONS**

There were no significant findings or recommendations as a result of the examination.

**ACKNOWLEDGEMENT AND SIGNATURE**

This is to certify that the undersigned is a duly qualified Examiner appointed by the West Virginia Offices of the Insurance Commissioner. In addition to the undersigned, David Palmer, CFE, MCM, consulting supervising examiner of Lewis & Ellis, Inc.; Bill O’Connell, CPA, CFE, CIA, consulting audit supervisor of Noble Consulting Services, Inc.; and Mary Jo Lewis, CPA, Examiner Manager of the WVOIC participated in the examination.

The examination was performed in accordance with those procedures authorized by the NAIC Financial Condition Examiner’s Handbook and other procedures appropriate for this examination. The attached report of examination is a true and complete report of financial condition of Mutual Protective Association of WV as of December 31, 2020 as determined by this examination.

Respectfully Submitted,



Adrienne Sulaiman, CFE  
Examiner-in-Charge  
Lewis & Ellis, Inc.  
Representing the WV Offices of the Insurance Commissioner



Jamie Taylor, CFE, PIR, MCM  
Chief Financial Examiner  
Company Analysis and Examination Division  
Financial Conditions  
WV Offices of the Insurance Commissioner



STATE OF WEST VIRGINIA  
*Offices of the Insurance Commissioner*

Allan L. McVey  
Insurance Commissioner

June 6, 2022

Mr. Art Meadows, Executive Manager  
Mutual Protective Association of WV  
109 Washington Street  
Moorefield, WV 26836

RE: Report of Financial Examination as of December 31, 2020  
Mutual Protective Association of WV ("MPA")  
NAIC #11057

Dear Mr. Meadows:

Please find enclosed a copy of the Report of Examination of MPA. This examination was performed in accordance with the provisions of Chapter 33, Article 2, Section 9 of the West Virginia Code, as amended. The Report of Examination reflects the financial affairs and condition of MPA, as of December 31, 2020.

You are hereby notified that you have ten (10) working days from receipt of this letter to make written submission or rebuttals with respect to any matter contained in the Report of Examination. If no exception is taken, please respond accordingly by the end of the ten (10) day comment period.

Sincerely,

Jamie O. Taylor  
CFE, PIR, MCM  
Director, Chief Examiner

JOT/mjl

Enclosure: Copy of Report of Examination





**Mutual Protective Association  
of West Virginia**

*Property Insurance - Since 1911*

109 Washington Street  
Moorefield, WV 26836  
(O) 304.897.6566 (F) 304.897.5002  
<https://mutualprotective.org>

June 6, 2022

WV Offices of Insurance Commissioner  
Company Analysis and Examination Division  
900 Pennsylvania Ave., 7<sup>th</sup> Floor, Room 740  
Charleston, WV 25302

Attn: Mary Jo Lewis, CPA  
Ins Comp. Examiner Supervisor

Dear Ms. Lewis,

This letter will serve as notice that I have reviewed the examination report and found no corrections or edits that need to be made. We are in full agreement with the examination as presented.

Sincerely,

Art Meadows, Executive Director

